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SILVER AS A REGULATOR OF PRICES.

M. Léon Walras, professor at the Academy of Lausanne, and well known as the leading advocate and student of the mathematical theory of political economy, has reprinted from the *Revue Scientifique* (April 10 and 17, 1886) his "Théorie de la Monnaie," in which the author applies his method to the question of the standards. The paper is remarkable, both from the peculiarity of the conclusions reached and from the fact that the conclusions represent the final stage in a series of changes of opinion, produced by the author's researches in pure political economy.

Down to the publication of his *Éléments d'Économie Politique Pure* in 1874, M. Walras had advocated the single gold standard and the free issue of bank-notes. By steps marked by a succession of contributions to different journals and societies, he became, a year ago, the advocate of a gold standard with a token currency of silver to act as a regulator (*monnaie d'or avec billon d'argent régulateur*) and the prohibition of all notes. This is the arrangement which M. Walras expounds and defends against some criticisms, in his *Théorie*, starting from the proposition that "the scarcity of the merchandise used as money should so vary that the prices of other merchandise measured in it should be unchanged": —

> The object aimed at is not to make the scarcity and value of the money merchandise absolutely fixed. Among ordinary commodities there are some, like certain agricultural products, which, independently of weekly, monthly, or annual fluctuations, regularly increase in scarcity and value; and there are others, like most manufactured products, which, independently of fluctuations due to various causes, regularly lose as regards scarcity and value. All would be well if the variations in scarcity and value of the money merchandise were the means of the variations in scarcity and value of other kinds of merchandise. Gold cannot, any more than any other commodity, take on such a variation naturally; but gold can receive it artificially from the addition of silver pieces to the monetary circulation, or their withdrawal therefrom, as occasion may require. And it is to this point that I have shown that we should come,— of making these additions or subtractions in such a way as to bring back periodically to constancy the mean of the prices of goods.

To apply the system in a case like that now existing:—

> Gold alone is *money* to-day, and ought alone to supply the definition of the franc. The franc should be defined as "$\frac{5}{15.5} = \frac{10}{31}$ grammes of gold, $\frac{9}{10}$ fine." Silver is a token (*billon*). For pieces of $\frac{1}{2}$, 1, and 2 francs,—that is, of 2.5, 5, and 10 grammes of $\frac{835}{1000}$ fine,—it should be the *divisionary* token. For pieces of 5 francs,—that is, 25 grammes of $\frac{900}{1000}$ fine,—it should be the *regulating* token. A mathematical calculation, of which the practical detail is yet to be arranged, will teach us whether we ought to pour the regulating token (*billon régulateur*) little by little into the monetary circulation, or withdraw it. In the first case, we turn toward bimetallism, to which we shall actually come if we take enough silver from the bullion market to make its gold price rise from $\frac{1}{19}$ or $\frac{1}{20}$ to $\frac{1}{15.5}$. In the second case, we incline to gold monometallism, which we shall reach the day when no more silver pieces are left in circulation.

It is easy to see that for the working of this system something like universality is required. England and Germany must join the United States and the Latin Union in the use of token silver as legal tender, and all must agree upon the quantity to be struck by each and to be kept in circulation. All must agree also upon a strict regulation, at any rate, of paper issues, and especially of legal-tender paper, so that the variation of the mean of prices from the assumed constant may be operated on with certainty by the stream of silver. To practical difficulties of this sort, unfortunately, no calculus can yet be applied; and M. Walras accordingly passes over them lightly, with the frank admission that he has not yet made a sufficiently deep study of them. He is clear, however, that something must be done to regulate the value of money.

> "Money," says M. Cernuschi, "ought to be automatic." That is the rule laid down. But, on the contrary, money ought to be of real value equal to its nominal value. It ought, also, to be of a value as regularly variable as possible. That is what it ought to be. And if, to bring it to this, the State must intervene a little more than you have made it heretofore, money ought not to be and will not be automatic.

The object aimed at by M. Walras appears to be to insure that a given sum of money shall always bear, as nearly as possible, the same relation to a given mass of commodities, whatever changes in production time may bring. Even if this be desirable, which is open to question, the mode of operation presents difficulties not to be treated with levity. To make a selection of commodities, agricultural and manufactured, to be used as the standard, to assign to each its coefficient of relative importance, to determine the quantity of money and bullion in the country, and to ascertain the amount of the transactions settled by offset, are problems which will probably be regarded more seriously by the practical financier than by the ingenious theorist. By one difficulty, however, M. Walras finds himself pressed. As a certain fluctuation of prices with the times must in any case be expected and allowed for, can the future movements of price be foretold accurately enough, to insure against an issue of token money on the eve of a rise of prices from other causes, or a withdrawal when prices would have fallen? If this cannot be insured against, the plan in operation might even exaggerate the fluctuations which it is desired to prevent. This and similar difficulties of administration it seems hard to escape, if our dependence has still to rest on the range of view and foresight of merely human agencies.

THE ARITHMETIC, GEOMETRIC, AND HARMONIC MEANS.

The late Mr. Jevons repeatedly declared his preference for the geometric mean in economic investigations instead of the arithmetic mean, commonly used. He has also referred to the possibility of employing the harmonic mean. But he has nowhere left an explicit statement of his reasons for preferring one mean to the other.

The possibility of choice between different means does not exist in most of the cases which the student of physical science encounters. The mean is generally for the physicist the manner in which he infers the magnitude of a real quantity from a number of varying measurements. As the mean represents a real quantity, it can evidently have but one true value, whether our defective knowledge enables us to know which mean gives this or not. Such a mean, representing a real quantity, is known according to its nature as the Precise Mean Result or as the Probable Mean Result.